

Second-Party Opinion

PT SMI Sustainable Funding Framework

Second-Party Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



Evaluation Summary

Sustainalytics is of the opinion that the PT SMI Sustainable Funding Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 5, 6, 7, 8, 9, 10 11 and 12.



PROJECT EVALUATION AND SELECTION Representatives from the Financing Division, Financing Risk Evaluation Division, Legal Division, Finance and Investor Relations Division, and Environmental and Social Evaluation Division at PT SMI will be responsible for the evaluation and selection of projects in line with the Framework's eligibility criteria. The Environmental and Social Evaluation Division will identify, assess and manage environmental and social risks associated with eligible projects. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS PT SMI's Finance and Investor Relations Division, reporting to the Board of Directors, will be responsible for tracking and managing proceeds in line with its internal management system. PT SMI intends to allocate all proceeds within 24 months after receiving the funds. Pending full allocation, unallocated proceeds may be invested in cash, cash equivalents or marketable securities, in accordance with PT SMI's cash management policies and exclusion criteria. This is in line with market practice.



REPORTING PT SMI commits to report on allocation of proceeds in a sustainability report on its website on an annual basis until full allocation. Allocation reporting will include information such as a list of funded projects with brief descriptions and the final allocation of proceeds to eligible projects. In addition, PT SMI intends to report on relevant environmental or social impact metrics, where feasible. Sustainalytics considers the allocation and impact reporting commitments as aligned with market practice.

Evaluation Date	March 21, 2025
Issuer Location	Jakarta, Indonesia

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendix	19

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Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards

The ASEAN Sustainability Bond Standards 2018 (SUS), Green Bond Standards 2018 (GBS) and Social Bond Standards 2018 (SBS) provide guidance to issuers and communicate more specifically on what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the eligible green and social project categories under the PT SMI Sustainable Funding Framework align with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards.

¹ Renewable Energy; Energy Efficiency; Pollution Management and Prevention; Sustainable Natural Resources and Land Use Management; Clean Transportation; Sustainable Water and Wastewater Management; Green Buildings; Affordable Basic Infrastructure; Access to Essential Services; Affordable Housing; Food Security and Sustainable Food Systems; and Socioeconomic Advancement and Empowerment.

Introduction

PT Sarana Multi Infrastruktur (Persero), ("PT SMI" or the "Issuer"), is a state-owned enterprise and non-bank financial institution under the Ministry of Finance of the Republic of Indonesia. Its business operations focus on development financing and span across three business pillars: commercial financing, public financing, and advisory and project development.² PT SMI employed 416 people as of 31 December 2024.

PT SMI has developed the PT SMI Sustainable Funding Framework dated March 2025 (the "Framework") under which it intends to issue green, social, sustainability or thematic sustainable finance instruments, including bonds, medium-term notes, loans, sukuk and sharia-financing facilities³ and other sustainable funding sources.⁴ The Issuer intends to use the proceeds to finance and refinance, in whole or in part, existing and future projects intended to contribute to drive positive environmental and social impact in Indonesia. The Framework defines eligibility criteria in twelve areas:

Green categories:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Management and Prevention
4. Sustainable Natural Resources and Land Use Management
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Green Buildings

Social categories:

1. Affordable Basic Infrastructure
2. Access to Essential Services
3. Affordable Housing
4. Food Security and Sustainable Food Systems
5. Socioeconomic Advancement and Empowerment

PT SMI engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),⁵ Green Loan Principles 2023 (GLP), Social Loan Principles 2023 (SLP),⁶ ASEAN SUS, GBS and SBS.⁷ The Framework has been published in a separate document.⁸

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁹ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

² PT SMI, "PT SMI at Glance", at: <https://www.ptsmi.co.id/pt-smi-at-glance>.

³ PT SMI has confirmed that these may include: i) mudarabah; ii) musyarakah mutanaqisah, iii) kafalah bil-ujroh; iv) ijarah muntahiyah bit tamlik; v) ijrârah maushûfah fâ al-dzimmah; vi) sharia restricted investment accounts; and vii) wakalah bi al-istismar. Sustainalytics observes that (iii) to (vii) are not administered by ICMA, LMA, APLMA or LSTA at this time and are hence not considered within the scope of this Second-Party Opinion.

⁴ Sustainalytics has reviewed only the financial instruments that are specified in the Framework.

⁵ The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>.

⁶ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association, and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>.

⁷ The ASEAN Sustainability Bond Standards (ASEAN SUS), ASEAN Green Bond Standards (GBS) and ASEAN Social Bond Standards (SBS) are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/sustainable-finance/publications>.

⁸ The PT SMI Sustainable Funding Framework is available on PT SMI's website at: <https://www.ptsmi.co.id/financial-performance>.

⁹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023, as administered by ICMA and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA and LSTA; and ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018, as administered by ASEAN Capital Markets Forum (ACMF).
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.18, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of PT SMI's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. PT SMI representatives have confirmed that: (1) they understand it is the sole responsibility of PT SMI to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and PT SMI.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that PT SMI has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the PT SMI Sustainable Funding Framework

Sustainalytics considers the PT SMI Sustainable Funding Framework to be credible, impactful and aligned with the SBG and the four core components of the GBP, SBP, GLP and SLP, and ASEAN's SUS, GBS and SBS. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Pollution Management and Prevention, Sustainable Natural Resources and Land Use Management, Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Affordable Basic Infrastructure, Access to Essential Services, Affordable Housing, Food Security and Sustainable Food Systems, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the GBP, SBP, GLP, and SLP, and ASEAN SUS, GBS and SBS.
 - PT SMI has defined a look-back period of three years for refinancing of projects, which Sustainalytics considers to be in line with market practice.
 - Sustainalytics notes that certain expenditures have been included under multiple categories in the Framework. PT SMI has confirmed to Sustainalytics that it will ensure that there will be no

double counting of allocation and impact for the financed projects, activities and assets in its annual reporting.

- Under the Renewable Energy category, PT SMI may finance or refinance projects related to the generation and transmission of renewable energy with a direct emissions intensity threshold below 100 gCO₂e/kWh. This may include:
 - Onshore wind facilities.
 - Onshore solar photovoltaic.
 - Mini hydropower plants with capacity below 10 MW and life cycle carbon emissions intensity less than 100 gCO₂e/kWh.
 - Geothermal energy.
 - Marine renewables such as offshore wind, floating solar photovoltaics and offshore hydropower plants, such as tidal-based power using tidal range and tidal stream. For such projects to be considered eligible, any fossil fuel backup will be limited to power monitoring, operating, maintenance equipment, resilience or protection measures, and restart capabilities.
 - Sustainalytics views these investments to be aligned with market practice.
- Under the Energy Efficiency category, PT SMI may finance or refinance the development and implementation of products and technologies that enable a reduction in energy consumption of at least 20% from baseline conditions or initial performance of the asset, the product or technology. This may include smart streetlighting, chillers, lighting solutions, district cooling and heating, smart grids and heat recovery, including heat pumps. Sustainalytics notes the following:
 - For smart grids, PT SMI has communicated to Sustainalytics that: i) smart grid components may include static compensators, frequency converters and protective relays; and ii) the scope of smart grid infrastructure also includes transmission and distribution systems integrating at least 90% of renewable energy sources into the grid, such as substations.
 - For investments in district cooling and heating, PT SMI has confirmed that such systems will be primarily powered by renewable energy including geothermal energy that meets the eligibility criteria, and industrial waste heat. Additionally, PT SMI excludes the utilization of waste heat from fossil fuel production or operations in such projects.
 - Energy efficiency improvements to zero-emission electric boats.
 - PT SMI may finance the installation of electric heat pumps and solar heat pumps as part of the energy efficiency infrastructure. Although PT SMI would not directly finance the development and manufacture of heat pumps, the following was confirmed: i) the exclusion of absorption heat pumps driven by fossil fuels; ii) the exclusion of refrigerants that have a high global warming potential; and iii) that such projects will measure refrigerant leakage and include measures to monitor leaks, such as leak detection alarm systems, regular leak detection inspections, and equipment maintenance and cleaning.
 - Eligible projects financed under this category will not be used to support processes that are inherently carbon-intensive or are powered by fossil fuels.
 - Sustainalytics views these investments to be aligned with market practice.
- Under the Pollution Management and Prevention category, PT SMI may finance or refinance waste and wastewater management projects, including drainage and municipal sanitation systems, as well as projects specifically for port operations. This may include projects meeting the following criteria:
 - Waste treatment and decontamination projects, including waste prevention, minimization, collection, management and recycling. PT SMI has confirmed that:
 - Waste management expenditures support source segregation of waste to improve recovery and recycling.
 - The financing of waste collection vehicles will be excluded unless the vehicles comply with the Clean Transportation criteria of the Framework.
 - For expenditures that involve plastics recycling into primary form: i) the recycled plastics should contain at least 90% recycled content, achieved through mechanical recycling methods; and ii) plastics intended for single-use products will be excluded.

- For expenditures that involve plastics recycling into finished products: i) all finished products will be fully recyclable; ii) at least 90% of the products will not be intended for single-use consumer applications; and iii) at least 90% of the material used will be recycled plastic.
 - E-waste and hazardous waste recycling will be accompanied by robust waste management processes to mitigate associated risks.
- Waste-to-energy facilities using bark residues, municipal solid waste and refuse-derived fuel (RDF).
 - PT SMI has confirmed that the waste-to-energy expenditures support source segregation of waste to improve recovery and recycling. PT SMI may include industrial waste heat as an energy source for energy conversion, and has confirmed that it would exclude plastics, rubber tire-derived fuels, and waste heat from fossil fuel production or operations.
 - Eligible RDF facilities should meet the following: i) plant efficiency $\geq 25\%$; (ii) bottom ash recovery; (iii) $\geq 90\%$ recovery of metal from ash; (iv) average carbon intensity of electricity or heat over the life of the plant \leq waste management allowance; and (v) the capacity of the plant does not exceed the calculated residual waste at any time in the plant's life.
 - Sustainalytics recognizes that energy from waste could exclude materials from the circulation of being potentially recyclable and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste offers a better residual waste management option than landfills in many cases. Nevertheless, Sustainalytics recommends PT SMI to increase the removal of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
- Wastewater treatment facilities. PT SMI has confirmed that such projects exclude: i) treatment of wastewater from fossil fuel operations (such as produced water from fracking); and ii) systems and treatment facilities dedicated to controversial activities having harmful social or environmental impact, such as industrial-scale livestock operations.
- Desalination plants powered by low-carbon sources with emissions intensity below 100 gCO₂e/kWh and appropriate waste management plans for brine disposal. PT SMI has confirmed that financing will exclude integrated water and power plants (IWPP) with fossil fuel power.
- Rehabilitation of landfill areas. PT SMI has confirmed that such projects will not be related to the contamination or negative environmental externalities resulting from the borrower's (including ports) own activities.
- The Framework excludes the financing of the conversion of plastics to fuel from chemical recycling.
- Sustainalytics views these investments to be aligned with market practice.
- Under the Sustainable Natural Resources and Land Use Management category, PT SMI may finance or refinance projects related to the implementation and improvement of irrigation systems and soil management systems. This may include:
 - Improvement to local irrigation projects provided by the government.
 - Rehabilitation of dams or ponds for water conservation.
 - PT SMI has confirmed that such projects will not be related to the contamination or negative environmental externalities resulting from the borrower's own activities.
 - Sustainalytics views these investments to be aligned with market practice.
- Under the Clean Transportation category, PT SMI may finance or refinance projects related to:
 - Development of clean transportation systems and associated charging infrastructure:
 - Electric and hybrid passenger and freight vehicles. Hybrid passenger vehicles must meet the threshold of 50 gCO₂e/pkm and hybrid freight vehicles (such as heavy trucks and locomotives) must meet a threshold of 25 gCO₂e/tkm.

Sustainalytics notes that, for the eligible passenger vehicles, tailpipe emissions intensity would not exceed 50g CO₂e/pkm until 2025 and are required to have zero emissions from 2026 onwards. PT SMI has confirmed that the primary purpose of freight rail should not be the transportation of fossil fuel freight and that the share of fossil fuel freight transported should not be more than 25% in mass.

- Mass transportation systems that are powered by electricity, such as buses, light rail transit (LRT) and mass rapid transit (MRT).
- Expenditures relating to the improvement of parking systems dedicated to electric vehicles, including the setting up of electric charging infrastructure. PT SMI has confirmed to Sustainalytics that standalone parking facilities and those that would be utilized by fossil fuel reliant vehicles will be excluded from the Framework.
- Sustainalytics considers the above expenditures to be in line with market practice.
- Transportation network upgrades to higher climate-resilient design standards, including the provision of new special lanes within existing roads for mass transportation that consider climate-resilient designs, such as higher shelters to avoid flooding. Sustainalytics considers climate adaptation related expenditures to be credible when accompanied by a vulnerability assessment and an adaptation plan and encourages PT SMI to: i) include such assessments and plans while financing climate resilient infrastructure; and ii) exclude business-as-usual retrofits and renovations.
- Under the Sustainable Water and Wastewater Management category, PT SMI may finance or refinance projects related to water and wastewater treatment and supporting infrastructure, and waste management projects to prevent ocean pollution. This may include:
 - Water supply, treatment and related infrastructure.
 - Construction, expansion and improvement of public and private water supply, treatment and storage infrastructure.
 - Rehabilitation of existing water infrastructure.
 - Implementation of water efficiency technologies and equipment.
 - Construction, expansion and rehabilitation of wastewater treatment. Sustainalytics notes that PT SMI distinguishes wastewater treatment projects financed under this category based on its distance from the ocean (located within 100 km from the coast) as opposed to the wastewater facilities that may be financed under the Pollution Management and Prevention category (located beyond 100 km from the coast).
 - Projects related to ocean pollution prevention may include:
 - Solid waste management including municipal waste or integrated waste management projects: i) within 50 km of the coast or a river draining into the ocean; and ii) within 100 km of the coast; to prevent the interaction of seawater with wastewater containing harmful substances from landfills (such as leachate and microplastics). Additionally, PT SMI may finance wastewater management projects in coastal and small island regions (within 100 km of the coast). PT SMI has confirmed that such expenditures also adhere to the relevant criteria relating to waste management already noted under the Pollution Management and Prevention category.
 - Hazardous waste management from vessel operations at ports. PT SMI has confirmed that hazardous waste management projects will be accompanied by robust waste management processes to mitigate associated risks.
 - The Framework excludes the financing of the following projects: i) treatment of wastewater from fossil fuel operations, such as produced water from fracking; ii) systems and treatment facilities dedicated to controversial activities having harmful social or environmental impact, such as industrial-scale livestock; and iii) IWPP with fossil fuel power. Additionally, PT SMI has confirmed that all waste management projects financed under the Framework support circularity and exclude business-as-usual activities like routine trash collection or landfill disposal without resource recovery.
 - Sustainalytics views these investments to be aligned with market practice.

- Under the Green Buildings category, PT SMI may finance or refinance the construction, acquisition, renovation and maintenance of commercial buildings, according to the following criteria:
 - Construction or acquisition of commercial buildings that have achieved one of the following minimum certification levels, but not limited to: i) GREENSHIP (new and existing buildings) Gold;¹⁰ ii) BREEAM Excellent;¹¹ iii) LEED Gold;¹² and iv) EDGE certified.¹³ Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications and, therefore, encourages PT SMI to report on any specific schemes and certifications it intends to use.
 - Retrofit, upgrade, renovation and refurbishment of existing buildings. PT SMI has confirmed that it shall only finance retrofits for buildings if such buildings receive an eligible level of green building certification post-retrofit.
 - The Framework excludes the financing of the following: i) development or acquisition of industrial facilities designed for or intended for controversial activities having harmful social or environmental impact (which includes tobacco, weapons and gambling); and ii) buildings designed for extraction, storage, transportation or manufacture of fossil fuels.
 - Sustainalytics views these investments to be aligned with market practice.
- PT SMI has communicated to Sustainalytics that it may provide public financing to local or municipal governments for certain eligible expenditures in the social categories, which includes: i) project or infrastructure financing to municipal and local governments; ii) programme loans with allocated funds specifically designated for financing predetermined local government programmes; and iii) excludes general corporate purpose financing. For programme loans, the use of funds is governed by key performance indicators (KPIs), established to ensure the achievement of specific objectives and criteria.¹⁴
 - PT SMI has confirmed to Sustainalytics that such financing will: i) exclude the promotion of religious and political activities; and ii) ensure that affordability measures or financial advantages are in place, in line with those described in the social categories below.
 - Sustainalytics notes that most of the expenditures in the social categories have clear targeting in place, which will provide social benefits for vulnerable populations and increase access to essential services or affordable basic infrastructure for rural areas. However, PT SMI has informed Sustainalytics that financing may also extend to infrastructure projects without clear targeting, such as traditional markets, where the Issuer may not have control to restrict tenancy to micro-, small- and medium-sized enterprises (MSMEs),¹⁵ smallholder farmers¹⁶ or women-led or -owned MSMEs,¹⁷ and

¹⁰ GREENSHIP: <https://www.gbcindonesia.org/certification>.

¹¹ BREEAM: <https://bregroup.com/products/breeam/>.

¹² LEED: <https://www.usgbc.org/leed>.

¹³ EDGE: <https://edgebuildings.com/certify/certification>.

¹⁴ These KPIs will be clearly outlined in the credit agreement to: i) maintain transparency and accountability in fund management; and ii) ensure outcome-oriented disbursement and utilization. The disbursement of loans to local governments or municipalities is contingent upon the submission and approval of a proposal by the respective local government or municipalities.

¹⁵ MSMEs as defined by the Indonesian government as per two classifications: i) business capital; and ii) annual sales revenue. MSMEs are defined based on business capital as: i) micro enterprises that have a business capital of up to IDR 1 billion (USD 61,087), excluding land and buildings for business premises; ii) small businesses with business capital from IDR 1 billion to 5 billion (USD 61,087 to USD 305,437), excluding land and buildings for business premises; iii) medium enterprises with business capital from IDR 5 billion to 10 billion (USD 305,437 to USD 610,874), excluding land and buildings for business premises. MSMEs are defined based on annual sales revenue, as: i) micro enterprises that have an annual sales revenue up to IDR 2 billion (USD 122,174); ii) small enterprises with an annual sales revenue from IDR 2 billion to 15 billion (USD 122,174 to USD 916,311); and iii) medium enterprises with an annual sales revenue from IDR 15 billion to 50 billion (USD 916,311 to USD 3,054,370).

Peraturan Pemerintah Republik Indonesia, "Nomor 7 Tahun 2021 Tentang Kemudahan, Pelindungan, Dan Pemberdayaan Koperasi Dan Usaha Mikro, Kecil Dan Menengah", (2021), at: <https://faolex.fao.org/docs/pdf/ins222252.pdf>.

¹⁶ Smallholder farmers are defined in accordance with the Indonesian government's regulations: i) those cultivating less than 2 hectares of agricultural land or engaging in small-scale fisheries, livestock or forestry activities; and ii) those managing less than 25 hectares of farming area for small plantation farmers.

Presiden Republik Indonesia, "Nomor 19 Tahun 2013 Tentang Perlindungan Dan Pemberdayaan Petani", (2013), at: <https://faolex.fao.org/docs/pdf/ins169497.pdf>;

Menteri Pertanian Republik Indonesia, "Nomor 21/Permentan/KB.410/6/2017 Tentang Perubahan Kedua Atas Peraturan Menteri Pertanian Nomor 98/Permentan/OT.140/9/2013 Tentang Pedoman Perizinan Usaha Perkebunan", (2017), at: <https://peraturan.bpk.go.id/Details/160960/permentan-no-21permentankb41062017-tahun-2017>.

¹⁷ Women-led or -owned MSMEs are defined in the Socioeconomic Advancement and Empowerment category below.

may include the financing of larger companies. To address this gap, PT SMI has communicated that it will curate specific KPIs in credit agreements with the local governments, such as the percentage of women-led or -owned MSMEs in traditional markets, to ensure that these stakeholder groups are prioritized. In Sustainalytics' opinion, it is good practice to prioritize financing MSMEs, smallholder farmers or women-led or -owned MSMEs because they typically face greater challenges in accessing capital or market opportunities compared to larger companies. Hence, Sustainalytics encourages PT SMI to report on the positive social impacts of its financing allocated to MSMEs, smallholder farmers and women-led or -owned MSMEs through its public financing.

- Under the Affordable Basic Infrastructure category, PT SMI may finance or refinance the development of affordable basic infrastructure related to water, sanitation, electricity, telecommunications and transportation in areas with no access or where access is substantially inadequate,¹⁸ which meet the following criteria:
 - Public clean drinking water, sewage and sanitation infrastructure, excluding: i) IWPP with fossil fuel power; and ii) desalination plants with dedicated on-site fossil fuel power. PT SMI has confirmed that public financing may be applicable for the financing of public clean drinking water, sewage and sanitation infrastructure.
 - Public electricity infrastructure to increase access to electricity. PT SMI has confirmed that: i) power generation plants financed will be required to meet the eligibility criteria under the Renewable Energy category; and ii) financing will exclude transmission grids connected to dedicated fossil fuel power plants.
 - Telecommunications infrastructure, such as satellites, base transceiver stations and other supporting facilities.
 - Public transportation infrastructure, excluding: i) construction of major roads or highways where road connectivity is adequate; and ii) upkeep of upgrade of existing major roads or highways.
 - Sustainalytics considers these expenditures to be socially impactful.
- Under the Access to Essential Services category, PT SMI may finance or refinance healthcare and education facilities as per the following criteria:
 - Construction and operation of public and private educational facilities. PT SMI has confirmed that educational facilities financed will be accessible to all regardless of the ability to pay and financing will exclude private schools without robust targeting or subsidization for low-income students. PT SMI has also confirmed that: i) financing will mainly target areas primarily inhabited by low-income populations below the regional minimum wage¹⁹ or areas lacking educational facilities; and ii) public financing may be applicable to this expenditure.

¹⁸ The definition of areas with no access or where access is substantially inadequate refer to Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration, No. 9 of 2024, which identifies underdeveloped and extremely underdeveloped villages using a Village Index through the following parameters: education, health services, water and sanitation, electricity and telecommunication services. PT SMI will also refer to Perpres Nomor 63 Tahun 2020, which defines disadvantaged and underdeveloped regions on a district level from 2021 to 2024 within Indonesia. Additionally, PT SMI will rely on Nomor 2 Tahun 2022 Tentang Perubahan Kedua Atas Undang-Undang Nomor 38 Tahun 2004 Tentang Jalan to identify areas lacking access to roads.

Buku Panduan Pengisian Kuesioner, "Indeks Desa 2024", (2024), at:

<https://dpmdsos.baritotimurkab.go.id/wp-content/uploads/2024/08/240403b-Buku-Panduan-Indeks-Desa.pdf>;

Menteri Desa, Pembangunan Daerah Tertinggal, Dan Transmigrasi, "Desa, Pembangunan Daerah Tertinggal, Dan Transmigrasi Nomor 9 Tahun 2024", (2024), at: <https://peraturan.bpk.go.id/Download/367582/Permdendesdt%20Nomor%209%20Tahun%202024.pdf>;

BPS Statistics Indonesia, "Number of Underdeveloped Villages (Villages), 2019 – 2021", (2019), at: <https://www.bps.go.id/en/statistics-table/2/MjE5MSMy/jumlah-des-tertinggal-menurut-provinsi.html>;

Peraturan Presiden Republik Indonesia, "Nomor 63 Tahun 2022 Tentang Rencana Umum Energi Nasional", (2022), at: <https://peraturan.bpk.go.id/Details/136563/perpres-no-63-tahun-2020>;

Presiden Republik Indonesia, "Nomor 2 Tahun 2022 Tentang Perubahan Kedua Atas Undang-Undang Nomor 38 Tahun 2004 Tentang Jalan", (2022), at: <https://peraturan.bpk.go.id/Details/195878/uu-no-2-tahun-2022>.

¹⁹ Regional minimum wages in Indonesia are adjusted annually based on the formula in Peraturan Pemerintah Republik Indonesia Nomor 51 Tahun 2023. Sustainalytics notes that the regional minimum wages in Indonesia range between IDR 2.1 million (USD 201) and IDR 5.4 million (USD 337) in 2025.

Peraturan Pemerintah Republik Indonesia, "Nomor 51 Tahun 2023 Tentang Perubahan Atas Peraturan Pemerintah Nomor 36 Tahun 2021 Tentang Pengupahan", (2023), at: <https://peraturan.bpk.go.id/Details/270269/pp-no-51-tahun-2023>;

Medina, A (2025), "Indonesia's Minimum Wage Rates for 2025", ASEAN Briefing, at: <https://www.aseanbriefing.com/news/indonesias-minimum-wage-rates-for-2025/>

Menteri Pekerjaan Umum Dan Perumahan Rakyat, "Pekerjaan Umum Dan Perumahan Rakyat Nomor 242/KPTS/M/2020", (2020), at: <https://jdih.pu.go.id/internal/assets/assets/produk/KepmenPUPR/2020/03/KepmenPUPR242-2020.pdf>

- Construction of public and private hospitals. PT SMI has confirmed to Sustainalytics that: i) public hospitals financed will be accessible to all regardless of the ability to pay; and ii) at least 90% of the facilities and treatments provided by financed private hospitals will be made affordable or covered by universal health care.
 - Sustainalytics considers these expenditures to be socially impactful.
- Under the Affordable Housing category, PT SMI may finance or refinance the development of public or affordable housing and the provision of housing loans to low-income communities in line with the affordable housing criteria in Indonesia's national regulations.^{20,21} Sustainalytics notes the following:
 - The affordable housing criteria outlines assurance on affordability by offering financial assistance such as interest or downpayment subsidies. Non-financial assistance, including technical and legal support, is also provided.²²
 - Sustainalytics notes that the affordable housing criteria also defines low-income communities as individuals earning between IDR 7 million (USD 427) and IDR 10 million (USD 610),²³ which is higher than the national average monthly income in Indonesia of IDR 3.2 million (USD 199) as of November 2024.²⁴ Sustainalytics considers it best practice to prioritize low-income populations, such as those that earn less than 80% of the area median income. However, Sustainalytics notes that the role of PT SMI is limited to financing housing through government affordable housing schemes and that the Issuer does not have control over the detailed criteria for determining the low-income groups deemed eligible for public housing schemes. Hence, Sustainalytics encourages the Issuer to report on the positive social impacts of its financing allocated to below-median income populations, where possible.
 - Additionally, PT SMI has confirmed to Sustainalytics that: i) it has responsible lending practices in place through its internal credit policy to avoid predatory lending; and ii) financing will be limited to government affordable housing schemes or public housing portfolios that meet the aforementioned affordable housing criteria.
- Under the Food Security and Sustainable Food Systems category, PT SMI may finance or refinance the development of sustainable food and agricultural systems. PT SMI has confirmed that public financing may be applicable to all expenditures under this category. Expenditures may include:
 - Food warehousing to: i) improve access and connectivity in the food chain for local populations; and ii) reduce food waste and loss. PT SMI has confirmed that this may involve the financing of vehicles for food warehousing to enhance connectivity in the food chain, which will be required to meet the eligibility criteria in the Clean Transportation category under the Framework. Sustainalytics considers this expenditure to be socially impactful.
 - Traditional market projects to improve market access for smallholder farmers.²⁵ Sustainalytics notes that financing may support smallholder farmers managing between 2 and 25 hectares of land. While there is no universal definition of smallholder farmers, Sustainalytics considers the FAO definition²⁶ to be the most credible, which defines smallholder farmers as those that manage less than 10 hectares of farming area, along with other parameters. Hence, Sustainalytics encourages PT SMI to report on the positive social impact of its financing allocated to smallholder farmers with less than 10 hectares of farming area, to the extent possible.

²⁰ Menteri Pekerjaan Umum Dan Perumahan Rakyat, "Peraturan Menteri Pekerjaan Umum Dan Perumahan Rakyat Republik Indonesia Nomor 20/PRT/M/2019", (2019), at: <https://peraturan.bpk.go.id/Details/159689/permen-pupr-no-20prtm2019-tahun-2019>.

²¹ Menteri Keuangan, "Peraturan Menteri Keuangan Republik Indonesia Nomor 60 Tahun 2023", (2023), at: <https://peraturan.bpk.go.id/Details/254074/pmk-no-60-tahun-2023>.

²² Ibid.

²³ Menteri Pekerjaan Umum Dan Perumahan Rakyat, "Keputusan Menteri Pekerjaan Umum Dan Perumahan Rakyat Nomor 22/KPTS/M/2023", (2023), at: <https://perpajakan.ddtc.co.id/sumber-hukum/peraturan-pusat/keputusan-menteri-pekerjaan-umum-dan-perumahan-rakyat-22kptsm2023/>.

²⁴ BPS-Statistics Indonesia, "Average of Net Wage/Salary (Rupiahs), 2024", (2024), at: <https://www.bps.go.id/en/statistics-table/2/MTUyMSMy/average-of-net-wage->.

²⁵ Sample KPIs that may be considered under this expenditure for public financing include: i) percentage increase in smallholder farmer income; ii) reduction in food waste across the supply chain; iii) number of smallholder farmers connected to formal markets and supply chain networks; or iv) reduction in farm-to-market delivery time.

²⁶ FAO, "SDG indicator metadata", (2023), at: <https://unstats.un.org/sdgs/metadata/files/Metadata-02-03-02.pdf>

- Under the Socioeconomic Advancement and Empowerment category, PT SMI may finance or refinance products, services, projects, enterprises or organizations to ensure equitable access, participation and integration into the market and society and reduce income inequality. PT SMI has confirmed that public financing may be applicable to all expenditures under this category, with the exception of women-led or -owned MSMEs. Expenditures include the following:
 - Development or provision of facilities, products and services intended to provide substantial benefits for women. PT SMI has confirmed that these products and services will be made affordable and accessible to the target populations. Examples of products and services include:
 - Healthcare services and products. This involves the provision of loans to local governments to support the Posyandu initiative, which is a government programme introduced since the 1980s in Indonesia to provide integrated community-based healthcare services for mothers and children living in rural areas, such as family planning (“Keluarga Berencana”) programmes, immunization, disease control, ante-natal care and reproductive health consultations.²⁷
 - Gender-sensitive public toilet facilities that directly benefit women, such as the provision of disposal bins for menstrual products.²⁸
 - Traditional markets to support women’s participation as traders and buyers through: i) facilities incorporating gender-inclusive designs, such as sanitation and childcare spaces; and ii) training for female traders, such as financial management, local community development in terms of business opportunities and market management or administration.²⁹
 - Projects or enterprises with a substantially gender-diverse, equitable workforce or gender-inclusive value chain, such as traditional market projects.³⁰
 - Women-led or -owned MSMEs, which is defined as any MSME that meets any of the following requirements: i) founded by a woman or has more than 50% ownership by a woman; or ii) has at least 30% women representation in senior leadership, including C-suite executives, key decision makers or head of departments.
 - ESG- or SDG-aligned projects or initiatives that are intended to provide substantial benefits for vulnerable groups, including women, children and populations living in areas with no access or where access is substantially inadequate. Examples of products and initiatives include:
 - Healthcare and wellbeing programmes or projects, such as maternal health clinics or health facilities providing prenatal and postnatal care, access to contraception or reproductive health services. PT SMI has confirmed that financing may also apply to eye hospitals that align with the eligibility criteria and exclusions in the Access to Essential Services category. Additionally, PT SMI has communicated to Sustainalytics that these will be provided for free or at a subsidized rate.
 - Gender-sensitive public transport, including women-only carriages or areas in public trains or buses,³¹ or improved reporting mechanisms for female passengers facing harassment.
 - Development or operation of renewable energy power generation plants or transmission and distribution infrastructure that will meet the eligibility criteria under the Renewable Energy category for marginalized, rural or underserved communities. PT SMI has confirmed that such projects will be

²⁷ Posyandu Indonesia, “About Us”, at: <https://posyanduindonesia.or.id/>

²⁸ Sustainalytics notes that the lack of water, sanitation and hygiene facilities, including disposal bins for menstrual products, is one of the factors inhibiting good menstrual health management in Indonesia.

Sato, K. et al. (2021), “Menstruation and Menstrual Hygiene Management: A Case Study of Adult Females in an Urban Slum of Indonesia”, The Online International Symposium on the Sanitation Value Chain, at: https://www.jstage.jst.go.jp/article/svc/5/2/5_00071/_pdf/-char/ja

²⁹ Sample KPIs that may be considered under this expenditure for public financing include: i) agreed percentage growth in MSMEs; ii) percentage of women-led or -owned MSMEs; or iii) job creation through increase in employment opportunities for local communities, particularly for women.

³⁰ Sample KPIs that may be considered under this expenditure for public financing are aligned with that in the previous footnote.

³¹ Sustainalytics notes that women-only carriages or areas in public transportation in Indonesia are meant for voluntary usage to address sexual harassment and enhance safety for female passengers.

Vaswani, K. (2010), “Indonesia launches women-only train service”, BBC, at: <https://www.bbc.com/news/world-asia-pacific-11028078>

- developed in areas with no access or where access is substantially inadequate, as defined above.
 - Sustainalytics considers these investments to be socially impactful.
- Project Evaluation and Selection:
 - Representatives from the Financing Division, Financing Risk Evaluation Division, Legal Division, Finance and Investor Relations Division and Environmental and Social Evaluation Division at PT SMI will be responsible for identifying, evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The shortlisted projects will then be presented to the Finance and Investor Relations Division and the Environmental and Social Evaluation Division, which will assess and approve the project based on the eligibility criteria under the Framework.
 - The Environmental and Social Evaluation Division will identify, assess and manage environmental and social risks associated with the eligible projects. For additional details, please refer to Section 2.
 - Based on the process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - PT SMI's Finance and Investor Relations Division, reporting to the Board of Directors, will be responsible for tracking and managing proceeds in line with PT SMI's internal management system.
 - PT SMI intends to allocate all the proceeds within 24 months. Pending full allocation, unallocated proceeds may be invested in cash, cash equivalents or marketable securities, in accordance with PT SMI's cash management policies and exclusion criteria. This is aligned with market practice.
 - For multi-tranche loan facilities, PT SMI has confirmed to Sustainalytics that the Issuer will only label tranches of such facilities where proceeds will be allocated according to the Framework's eligibility criteria.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - PT SMI commits to report on the allocation of proceeds in a sustainability report on its website on an annual basis until full allocation. PT SMI may seek external verification from an independent third party for its allocation and impact reports, if required by applicable standards and regulations, which will be made publicly available on the corporate website.
 - Sustainalytics notes that if PT SMI obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
 - Allocation reporting will include information such as a list of funded projects with their brief description, the final allocation of proceeds received to eligible projects.
 - PT SMI intends to report on the estimated environmental or social performance impact metrics where feasible, such as the increase in new renewable energy capacity, treated waste or wastewater (in tonnes or volume), number of households connected to water supply, and number of people that receive internet access in rural areas or bed occupancy ratio. For a full list of impact metrics considered by PT SMI, please refer to the Framework.
 - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the PT SMI Sustainable Funding Framework aligns with the SBG and the four core components of the GBP, SBP, GLP and SLP.

Alignment with ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018

The ASEAN SUS, GBS and SBS provide guidance to issuers and communicate more specifically what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the Framework aligns with the ASEAN SUS, GBS and SBS. See Appendix: Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards.

Section 2: Sustainability Performance of PT SMI/ Sustainability Strategy of PT SMI

Contribution to PT SMI's sustainability strategy

PT SMI focuses on the following environmental and social areas in its sustainability strategy, in line with its triple bottom-line approach: i) sustainable infrastructure development through financing in the renewable energy sector to address climate change; ii) implementing safe, environmentally friendly and energy-efficient operational activities; and iii) implementing social responsibility.³²

As a special mission vehicle under the Ministry of Finance of the Republic of Indonesia, PT SMI commits to support the government's low-carbon development strategy, including achieving Indonesia's targets in its Enhanced Nationally Determined Contribution to: i) reduce GHG emissions by 31.89% unconditionally and 43.2% conditionally by 2030; and ii) reach net zero emissions by 2060 in accordance with Indonesia's Long-Term Low Carbon and Climate Resilience Strategy to address climate change.^{33,34} In line with its five-year plan from 2019 to 2024, PT SMI has set targets to: i) reduce the proportion of financing for coal-fired power plants projects in outstanding value to at most 5% of its portfolio; and ii) increase the proportion of financing related to climate change mitigation in outstanding value to at least 10% by also increasing its renewable energy financing portfolio³⁵ with an outstanding value up to IDR 3 trillion (USD 183.6 million) by the end of 2024.³⁶ This commitment is reflected in PT SMI's cumulative portfolio of active financing commitments for climate change projects (12.8%), out of the total financing commitments of IDR 137.70 trillion (USD 8.43 billion) as of December 2023. This translates to 70 climate change projects with a financing commitment of IDR 19.6 trillion (USD 1.2 billion) and a project value of IDR 92.9 trillion (USD 5.69 billion).³⁷

As the Energy Transition Mechanism Country Platform Manager for Indonesia, PT SMI is expected to provide finance and services to support Indonesia's low-carbon energy transition.³⁸ PT SMI is also a Green Climate Fund (GCF) Accredited Entity, which enables it to access funding from the GCF.³⁹ This further enables PT SMI to increase its capacity in mobilizing financing from multilateral and bilateral institutions, philanthropies and donors to support climate-related projects, especially under the SDG Indonesia One platform, an integrated blended finance platform that aims to support the achievement of SDGs in Indonesia, including Goal No. 13 (Climate Action).⁴⁰

In terms of social financing, PT SMI implements a PUMK Programme (Micro and Small Business Funding Programme), designed to provide capital assistance through social financing and sharia financing to MSMEs, including coaching activities relating to education, training, apprenticeship and promotion.⁴¹ Other initiatives on the social front include (i) community social assistance, including electrification projects in areas without access to electricity or the provision of clean water and sanitation facilities; (ii) educational and training assistance, including the procurement of school supplies for public schools; (iii) health improvement assistance including the renovation of community health centres and support for public health initiatives; (iv) the development of public infrastructure and facilities including those that support sustainability, particularly related to renewable energy; and (v) supporting victims of natural disasters by providing basic necessities, clean water, and sanitation facilities.⁴²

Sustainalytics is of the opinion that the PT SMI Sustainable Funding Framework is aligned with the Issuer's overall sustainability strategy and initiatives and will further the Issuer's action on its key environmental priorities.

³² PT SMI, "Sustainability Report 2023", (2024), at:

<https://www.ptsmi.co.id/cfind/source/files/sustainability-report/sustainability-report-pt-smi-2023.pdf>.

³³ PT SMI, "Statement on Climate Change Issue", at: <https://www.ptsmi.co.id/statement-on-climate-change-issue>.

³⁴ UNFCCC, "Enhanced Nationally Determined Contribution - Republic of Indonesia", (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-09/ENDC%20Indonesia.pdf>.

³⁵ PT SMI has communicated to Sustainalytics that the renewable energy project financing portfolio is one of the components of its financing related to climate change mitigation.

³⁶ PT SMI, "Statement on Climate Change Issue", at: <https://www.ptsmi.co.id/statement-on-climate-change-issue>.

³⁷ PT SMI, "Annual Report 2023 - Sharpening the Strategy to Support the Nation's Sustainable Development", (2024), at: <https://www.ptsmi.co.id/cfind/source/files/annual-report/annual-report-pt-smi-2023.pdf>.

³⁸ Ibid.

³⁹ GCF is the world's largest climate fund and helps accelerates climate action in developing countries through a country-owned partnership approach and the use of flexible financing solutions and climate investment expertise; Green Climate Fund, at: <https://www.greenclimate.fund>.

⁴⁰ PT SMI, "Sustainability Report 2023", (2024), at:

<https://www.ptsmi.co.id/cfind/source/files/sustainability-report/sustainability-report-pt-smi-2023.pdf>.

⁴¹ PT SMI, "Sustainability Report 2023", (2024), at:

<https://www.ptsmi.co.id/cfind/source/files/sustainability-report/sustainability-report-pt-smi-2023.pdf>.

⁴² Ibid.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics notes that PT SMI plays a limited role in the development of projects being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: (i) land use and loss of biodiversity; (ii) emissions, effluents and waste generated in construction; (iii) occupational health and safety; (iv) business ethics; (v) predatory lending; and (vi) community relations.

Sustainalytics is of the opinion that PT SMI is able to manage or mitigate potential risks through implementation of the following:

- PT SMI incorporates ESG risks into its overall risk assessment and management strategy, and applies it to its business activities, including lending and investment decisions, project development, advisory and monitoring of its portfolios.⁴³ PT SMI applies the precautionary principle by analyzing and identifying potential environmental, social, legal or other risks associated with the infrastructure development financed and implements the Environmental and Social Safeguards (ESS)⁴⁴ to avoid such risks.⁴⁵ The ESS entail ten separate standards:⁴⁶ (i) assessment and management of environmental and social risks and impacts; (ii) labour and working conditions; (iii) pollution prevention and abatement; (iv) safety, health and security; (v) land acquisition and involuntary resettlement; (vi) biodiversity conservation and natural resource management; (vii) indigenous people; (viii) cultural heritage; (ix) energy conservation and environmentally-friendly energy; and (x) consultation and grievance redress mechanism.
- To mitigate risks related to land use and loss of biodiversity, PT SMI has developed a set of Environmental and Social Safeguard Procedures (ESSP),⁴⁷ which provides guidance in identifying and reviewing environmental and social risks in its business activities, including biodiversity conservation and natural resource management. This includes considerations to ensure that there is no net loss of biodiversity, no measurable adverse impacts on critical habitats impairing their high biodiversity values and limited degradation in natural habitats. Debtors are also required to carry out environmental and social assessments and implement necessary mitigation measures.⁴⁸ PT SMI also abides by its Policy on Biodiversity Conservation and Natural Resource Management, which aims to avoid, reduce or minimize threats to biodiversity across the life cycle of an infrastructure project through mitigation measures such as avoiding habitat disruption, implementing best management practices for affected habitats or offset of losses through conservation.⁴⁹
- To address risks associated with emissions, effluents and waste generated in construction, PT SMI's ESSP outlines a set of ten ESS standards for project development, financing and investment at both corporate and project levels. Specifically, the Pollution Prevention and Abatement standard has provisions covering pollution prevention and control across the design, construction, operation and trial phases of projects to minimize or mitigate negative environmental impacts on soil, water and air.⁵⁰ It also outlines provisions for hazardous and toxic waste management and GHG emissions mitigation measures.⁵¹
- To address occupational health and safety risks, PT SMI's ESSP includes an Occupational Health, Safety and Environment Management System (OHSEMS) Procedure,⁵² which ensures compliance with the relevant occupational health, safety and environment (OHSE) provisions and requirements applicable in Indonesia. The OHSEMS also establishes a management framework covering OHSE aspects related to policy, planning, implementation, performance monitoring and evaluation, and

⁴³ PT SMI, "Statement of ESG Commitment - Governance", at: <https://www.ptsmi.co.id/governance>.

⁴⁴ PT SMI, "Environmental and Social Safeguard", at: <https://www.ptsmi.co.id/environmental-social-safeguard>.

⁴⁵ PT SMI, "Sustainability Report 2023", (2024), at:

<https://www.ptsmi.co.id/cfind/source/files/sustainability-report/sustainability-report-pt-smi-2023.pdf>.

⁴⁶ PT SMI, "Environmental and Social Safeguard Procedures," (2022), at:

<https://www.ptsmi.co.id/cfind/source/files/ess/pd-025-environmental-and-social-safeguard-procedures.pdf>.

⁴⁷ Ibid.

⁴⁸ PT SMI, "Sustainability Report 2023", (2024), at:

<https://www.ptsmi.co.id/cfind/source/files/sustainability-report/sustainability-report-pt-smi-2023.pdf>.

⁴⁹ PT SMI, "PT Sarana Multi Infrastruktur (Persero) Policy on Biodiversity Conservation and Natural Resource Management", at:

<https://www.ptsmi.co.id/sector-specific-statements>

⁵⁰ PT SMI, "Environmental and Social Safeguard Procedures," (2022), at:

<https://www.ptsmi.co.id/cfind/source/files/ess/pd-025-environmental-and-social-safeguard-procedures.pdf>.

⁵¹ Ibid.

⁵² PT SMI, "Occupational Health, Safety and Environment Management System (OHSEMS) Procedure," (2023), at:

<https://www.ptsmi.co.id/cfind/source/files/ess/ohsems-procedure-pt-smi.pdf>.

performance review and improvement. In its OHSE policy,⁵³ PT SMI has committed to: i) prevent work-related injuries and illnesses by providing safe and healthy workplaces and facilities; ii) continually improve and develop OHSE aspects; iii) fulfil compliance obligations with statutory regulations; iv) evaluate OHSEMS periodically; v) provide information to stakeholders regarding OHSE aspects; and vi) ensure that the policy is communicated and understood by its personnel. PT SMI also ensures that all debtors consistently apply OHS aspects in accordance with applicable regulations and includes OHS reporting requirements for debtors to improve OHS performance among debtors. An example is the reporting of accidents on debtor projects that need to be submitted regularly to PT SMI for monitoring and evaluation.⁵⁴

- Regarding business ethics risks, PT SMI has established a Code of Business Ethics and Conduct, which complies with internal policies and applicable Indonesian laws and regulations and covers principles on anti-corruption and bribery.⁵⁵ The Conduct highlights various aspects relating to company ethics with debtors, including prioritizing quality in financing products, providing relevant and accurate information, complying with business agreements, avoiding and preventing conflicts of interest and collusion, and implementing good governance.^{56,57} PT SMI also implements the Indonesian government's Anti-Bribery Management System (SMAP) in State-Owned Enterprises through its Board of Directors Regulation No. PD-009/SMI/0322 on the Procedure of Anti-Bribery Management System,⁵⁸ which requires debtors to sign a business partner integrity pact.⁵⁹
- To mitigate the risks associated with predatory lending, PT SMI has confirmed that it avoids engaging in predatory lending activities and has in place an internal credit policy based on which it finances investment-grade portfolios after approval from its Credit Committee. Additionally, PT SMI has confirmed that it adheres to the relevant provisions under Indonesia's Law No. 4 of 2023 on Financial Sector Development and Reinforcement,⁶⁰ emphasizing stronger consumer protection and risk management, which help to mitigate predatory practices.
- To address the risks relating to community relations, PT SMI's ESSP includes guidelines on identifying and reviewing risks and impacts related to land acquisition, involuntary resettlement, cultural heritage and the Indigenous communities.^{61,62} Additionally, PT SMI has an Affected Community and Observer Group Grievance Mechanism Procedure in place, which allows for the resolution of grievances of affected community and observer groups without going through legal channels.⁶³ The guidelines and procedure facilitates consultation processes to engage with affected communities to obtain free, prior and informed consent, while complaints and concerns are appropriately addressed with corrective action, where necessary.^{64,65}

Based on these policies, standards and assessments, Sustainalytics is of the opinion that PT SMI has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All ten use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP or SLP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

⁵³ Ibid.

⁵⁴ PT SMI, "Sustainability Report 2023", (2024), at:

<https://www.ptsmi.co.id/cfind/source/files/sustainability-report/sustainability-report-pt-smi-2023.pdf>.

⁵⁵ PT SMI, "Statement of ESG Commitment - Governance", at: <https://www.ptsmi.co.id/governance>.

⁵⁶ PT SMI, "Business Ethics & Conduct," (2021), at: <https://www.ptsmi.co.id/cfind/source/files/gcg/code-of-conduct-pt-smi.pdf>.

⁵⁷ PT SMI, "Code of Corporate Governance," (2021), at: <https://www.ptsmi.co.id/cfind/source/files/gcg/code-of-corporate-governance-pt-smi.pdf>.

⁵⁸ PT SMI, "Statement of ESG Commitment - Governance", at: <https://www.ptsmi.co.id/governance>.

⁵⁹ PT SMI, "Procedure for Anti-Bribery Management System," (2021), at: <https://www.ptsmi.co.id/cfind/source/files/gcg/anti-bribery-system-smap-procedure-v2.pdf>.

⁶⁰ Transnational Business Law Journal, "Indonesia's Law No.4 of 2023 and Consumer Protection in Digital Financial Services: ASEAN Literacy Framework's Perspective, (2024), at: <https://jurnal.fh.unpad.ac.id/index.php/transbusli/article/view/1217>.

⁶¹ PT SMI, "Environmental and Social Safeguard Procedures," (2022), at:

<https://www.ptsmi.co.id/cfind/source/files/ess/pd-025-environmental-and-social-safeguard-procedures.pdf>.

⁶² PT SMI, "Sustainability Report 2023", (2024), at:

<https://www.ptsmi.co.id/cfind/source/files/sustainability-report/sustainability-report-pt-smi-2023.pdf>.

⁶³ PT SMI, "Affected Community and Observer Group Grievance Mechanism Procedure," at: <https://www.ptsmi.co.id/cfind/source/files/ess/affected-community-and-observer-group-grievance-mechanism-procedures-pd-014.pdf>.

⁶⁴ Ibid.

⁶⁵ PT SMI, "Environmental and Social Safeguard Procedures," (2022), at:

<https://www.ptsmi.co.id/cfind/source/files/ess/pd-025-environmental-and-social-safeguard-procedures.pdf>.

Impact of financing essential services and basic infrastructure in Indonesia

Indonesia faces a significant gap in terms of access to essential services and basic infrastructure. This stems partly from Indonesia's core infrastructure stocks, including road and electricity networks, lagging behind the pace of the country's economic growth.⁶⁶ Notably, infrastructure investment in Indonesia has steadily declined from 9% of its GDP since the Asian financial crisis in 1997 to 2.5% in 2023, placing Indonesia's infrastructure investment share of GDP relatively low compared to peers like Vietnam, India and China.⁶⁷ This has consequently led to development challenges such as congestion, power shortages, lack of clean water and sanitation, and other essential services.⁶⁸

Nonetheless, Indonesia has made significant strides in developing basic infrastructure over the past few decades, with access to electricity, sanitation, telecommunications and transportation infrastructure significantly increasing between 2000 and 2020. However, a persistent gap remains between urban and rural areas.^{69,70} For instance, in 2020, only 80% of rural households in Indonesia had access to basic sanitation compared to 92% of urban households. Additionally, of the 94 million Indonesian adults lacking access to internet on mobile devices in 2019, nearly 80% were from non-metro rural areas.⁷¹ Regional disparities also remain prevalent, with some districts such as Eastern Indonesia having less than 20% of households with access to basic sanitation in 2020.⁷² To close Indonesia's infrastructure gap, it is estimated that an additional annual investment of USD 51 billion is required to increase the infrastructure investment share of GDP to at least 5.1%.⁷³

In 2016, Indonesia introduced the National Strategic Projects scheme to accelerate large-scale infrastructure development.⁷⁴ The scheme aims to create equitable distribution in development and is aligned with Indonesia's National Medium Term Development Plan to enhance national and regional connectivity and provide basic infrastructure, such as drinking water and sanitation, electricity infrastructure and urban mass transportation systems.⁷⁵ Indonesia also relies on the Public-Private Partnership (PPP) scheme to fund infrastructure development, especially in regions with insufficient funding to build the required infrastructure for local communities. Between 2013 and 2023, the PPP scheme has mobilized IDR 300 trillion (USD 20 billion) of private funds in infrastructure development, such as roads, water and social infrastructure.⁷⁶ Furthermore, Indonesia and the US jointly launched the USD 649 million Indonesia Infrastructure and Finance Compact in 2024, which aims to improve access to financing to sustainable infrastructure, such as public transportation.⁷⁷

Based on the above, Sustainalytics is of the opinion that PT SMI's provision of financing to essential services and basic infrastructure is expected to increase access in rural areas, enhance national connectivity and contribute to Indonesia's broader infrastructure development goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued

⁶⁶ World Bank Group, "Implementation Completion and Results Report for the Indonesia Infrastructure Finance Facility", (2024), at: <https://documents1.worldbank.org/curated/en/361681490865386287/pdf/Indonesia-Infrastructure-Financing-Facility-Project.pdf>.

⁶⁷ Djajawinata, D. et al. (2023), "The Challenges of Infrastructure Development in Indonesia", Economic Research Institute for ASEAN and East Asia, at: https://www.eria.org/uploads/08-PSN-Book-vol_1-ch_3.pdf.

⁶⁸ World Bank Group, "Implementation Completion and Results Report for the Indonesia Infrastructure Finance Facility", (2024), at: <https://documents1.worldbank.org/curated/en/361681490865386287/pdf/Indonesia-Infrastructure-Financing-Facility-Project.pdf>.

⁶⁹ World Bank Group, "Individuals using the Internet (% of population) – Indonesia", at: <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=ID>.

⁷⁰ Djajawinata, D. et al. (2023), "The Challenges of Infrastructure Development in Indonesia", Economic Research Institute for ASEAN and East Asia, at: https://www.eria.org/uploads/08-PSN-Book-vol_1-ch_3.pdf.

⁷¹ Mugijayani, W. et al. (2024), "The COVID-19 Pandemic, Structural Transformation, and Training Programme Outcomes in Indonesia", Economic Research Institute for ASEAN and East Asia, at: <https://www.eria.org/uploads/The-COVID-19-Pandemic-Structural-Transformation-in-Indonesia.pdf>.

⁷² Djajawinata, D. et al. (2023), "The Challenges of Infrastructure Development in Indonesia", Economic Research Institute for ASEAN and East Asia, at: https://www.eria.org/uploads/08-PSN-Book-vol_1-ch_3.pdf.

⁷³ Asian Development Bank, "Meeting Asia's Infrastructure Needs", (2017), at: <https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>.

⁷⁴ Komite Percepatan Penyediaan Infrastruktur Prioritas, "National Strategic Projects", at: <https://kppip.go.id/en/national-strategic-projects/>.

⁷⁵ Widodo, B. et al. (2023), "Introduction of National Strategic Projects", Economic Research Institute for ASEAN and East Asia, at: https://www.eria.org/uploads/04_Ch_1-Introduction.pdf.

⁷⁶ Kenzu, M. (2023), "PPP scheme spreads US\$19.3 billion of private funds for infrastructure", Antara News, at: <https://en.antaranews.com/news/300474/ppp-scheme-spreads-us193-billion-of-private-funds-for-infrastructure>.

⁷⁷ US Department of State, "The United States and Indonesia Launch Compact for Sustainable Infrastructure and Growth of Women-Owned Businesses", (2024), at: <https://2021-2025.state.gov/the-united-states-and-indonesia-launch-compact-for-sustainable-infrastructure-and-growth-of-women-owned-businesses/>.

under the PT SMI Sustainable Funding Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Management and Prevention	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Natural Resources and Land Use Management	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
	9. Industry, innovation and infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport,

		with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Access to Essential Services	3. Good health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Food Security and Sustainable Food Systems	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round 2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, Indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and nonfarm employment
Socioeconomic Advancement and Empowerment	5. Gender Equality	5.7 Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws
	10. Reduced Inequalities	10.3 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

PT SMI has developed the PT SMI Sustainable Funding Framework, under which it may issue green, social, sustainability or thematic sustainable finance instruments, including bonds, medium-term notes, loans, sukuk, sharia-financing facilities and other sustainable funding sources, and use the proceeds to finance projects intended to provide environmental and social benefits in Indonesia. Sustainalytics considers that the projects funded by the proceeds are expected to have a positive environmental and social impact.

The PT SMI Sustainable Funding Framework outlines processes for the tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the PT SMI Sustainable Funding Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 5, 6, 7, 8, 9, 10 11 and 12. Additionally, Sustainalytics considers that PT SMI has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that PT SMI is well positioned to issue green, social, sustainability or thematic sustainable finance instruments and that the PT SMI Sustainable Funding Framework is robust, transparent and in alignment with the Sustainability Bond Guidelines 2021 and the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018.

Appendix: Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards, and ASEAN Social Bond Standards

ASEAN Sustainability Bond Standards' Criteria	Alignment with ASEAN SUS, GBS and SBS	Sustainalytics' comments on alignment with the ASEAN Sustainability Bond Standards, ⁷⁸ ASEAN Green Bond Standards, ⁷⁹ and Social Bond Standards ⁸⁰
Eligibility	Yes	The ASEAN SUS, GBS and SBS requires that issuers must be in or that the proceeds be directed to assets in an ASEAN country. As an Indonesia-based institution, PT SMI meets this requirement.
Use of Proceeds	Yes	<p>The ASEAN SUS, GBS and SBS offers specific clarifications that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to adult entertainment, alcohol, gambling, tobacco products and weapons are excluded.</p> <p>PT SMI has confirmed to Sustainalytics that the above exclusions apply to the Framework.</p>
Process for Project Evaluation and Selection	Yes	<p>The ASEAN SUS, GBS and SBS specifies information that must be clearly communicated to investors before issuance regarding project selection.</p> <p>Representatives from the Financing Division, Financing Risk Evaluation Division, Legal Division, Finance and Investor Relations Division and Environmental and Social Evaluation Division at PT SMI will be responsible for the evaluation and selection of projects in line with the Framework's eligibility criteria. The Environmental and Social Evaluation Division will identify, assess and manage environmental and social risks associated with eligible projects.</p>
Management of Proceeds	Yes	<p>The ASEAN SUS, GBS and SBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed.</p> <p>PT SMI's Finance and Investor Relations Division, reporting to the Board of Directors, will be responsible for tracking and managing proceeds in line with PT SMI's internal management system. Pending full allocation, unallocated proceeds may be invested in cash, cash equivalents or marketable securities, in accordance with PT SMI's cash management policies and exclusion criteria.</p>
Reporting	Yes	<p>The ASEAN SUS, GBS and SBS recommends annual reporting on the allocation of funds and expected impacts.</p> <p>PT SMI commits to report on allocation of proceeds in a sustainability report on its website on an annual basis until full allocation. In addition, PT SMI intends to report on relevant environmental or social impact metrics, where feasible.</p>
External Review	Yes	<p>The ASEAN SUS, GBS and SBS encourages, but does not require, external review.</p> <p>PT SMI may seek external verification from an independent third party for its allocation and impact reports, which will be made publicly available on the corporate website.</p>

⁷⁸ The ASEAN Sustainability Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>.

⁷⁹ The ASEAN Green Bond Standards are available at: <https://afcpw.asean.org/wp-content/uploads/2020/05/4.1-ASEAN-Green-Bond-Standards.pdf>.

⁸⁰ The ASEAN Social Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASBS2018.pdf#:~:text=To%20support%20ASEAN%E2%80%99s%20sustainable%20development%20needs%2C%20the%20ACMF,GBS%29%20that%20were%20first%20introduced%20in%20November%202017.>

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